

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF NEW YORK

In re: Dowling College

Case No. 16-75545 (REG)
Reporting Period: 11/29/16 to 12/31/16

MONTHLY OPERATING REPORT

REQUIRED DOCUMENTS	Form No.	Document Attached	Explanation Attached	Affidavit / Supplement Attached
Schedule of Cash Receipts and Disbursements	MOR-1	X	Note (1)	
Bank Reconciliation (or copies of debtor's bank reconciliations)	MOR-1a	X	Note (1)	
Schedule of Professional Fees Paid	MOR-1b	X	Note (2)	
Copies of bank statements			Available upon request	
Cash disbursements journals			Available upon request	
Statement of Operations	MOR-2	X	Note (3,4)	
Balance Sheet	MOR-3	X	Note (3,4)	
Status of Post-petition Taxes	MOR-4	X		
Copies of IRS Form 6123 or payment receipt				
Copies of tax returns filed during reporting period				
Summary of Unpaid Post-petition Debts	MOR-4	X		
Listing of aged accounts payable	MOR-4	X		
Accounts Receivable Reconciliation and Aging	MOR-5	X		
Debtor Questionnaire	MOR-5	X	Note (5)	

See accompanying notes on following page.

Note:

The financial information provided in this Monthly Operating Report ("MOR") is provided based on the best information available, the source of which is unaudited and untested. If the books and records were audited or tested further, the information provided may differ from that presented in this MOR, possibly by material amounts.

I declare under penalty of perjury (28 U.S.C. Section 1746) that this report and the attached documents are true and correct to the best of my knowledge and belief.

Signature of Debtor

Date

Signature of Joint Debtor

Date

Signature of Authorized Individual*

Date

Printed Name of Authorized Individual

Title of Authorized Individual

*Authorized individual must be an officer, director or shareholder if debtor is a corporation; a partner if debtor is a partnership; a manager or member if debtor is a limited liability company.

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF NEW YORK**

In re:

Chapter 11

DOWLING COLLEGE

Case No. 16-75545 (REG)

Debtor.

**GLOBAL NOTES REGARDING
DEBTOR'S MONTHLY OPERATING REPORT**

This Monthly Operating Report ("MOR") has been prepared solely for the purpose of complying with the monthly reporting requirements applicable in these chapter 11 cases and is in a format acceptable to the United States Trustee. The attached financial statements are preliminary and unaudited.

The accompanying Preliminary Unaudited Financial Statements of Dowling College have been prepared in accordance with generally accepted accounting principles ("GAAP") in the United States of America using information from the Debtor's accounting sub ledger and general ledger systems.

While Debtor's management has made reasonable efforts to ensure that the MOR is accurate and complete, based upon information that was available to them at the time of preparation, subsequent information may result in material changes to the MOR. Moreover, because the MOR contains unaudited information, which is subject to further review and potential adjustment, there can be no assurance that this MOR is complete. The Debtor reserves all rights to amend the MOR from time to time, in all respects, as may be necessary or appropriate. These global notes regarding the Debtor's MOR ("**Global Notes**") comprise an integral part of the MOR and should be referred to and considered in connection with any review of the MOR.

Specific Notes.

Endowment Funds. Temporarily restricted net assets consist of various donor-restricted amounts for academic programs, scholarships, and revenue for future periods (i.e., contributions receivable and accumulated gains on endowment funds). Permanently restricted net assets represent endowment corpus, which provides investment income principally for scholarships. Dowling's endowment consists of approximately 55 individual funds established for a variety of purposes, including donor-restricted endowment funds. Dowling's management and investment of donor-restricted endowment funds is subject to the provisions of New York Prudent Management of Institutional Funds Act (NYPMIFA).

Pursuant to the investment policy approved by the board of trustees of Dowling, Dowling has interpreted NYPMIFA as allowing it to appropriate for expenditure or accumulate so much of a donor-restricted endowment fund, as Dowling deems prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. As a result of this interpretation, Dowling records the remaining portion of the donor-restricted endowment fund that is not permanently restricted, as temporarily restricted until those amounts are appropriated for expenditure in a manner consistent with the standards of prudence prescribed by NYPMIFA.

Levied Bank Accounts. Prior to the Petition Date, the Debtor's funds on deposit at TD Bank, NA (approximately \$506,000) were removed from the accounts and placed in separate holding accounts by TD Bank, NA in accordance with its internal procedures and following receipt of certain Restraining Notices served pursuant to NY CPLR Section 5222(b) filed by certain prepetition judgment creditors. Included in these restrained funds may have been certain restricted funds. Consistent with the Final Cash Management Order referred to above, the Debtor is in the process of evaluating the restrictions on these funds. The Debtor has made written demand for turnover of these funds from TD Bank, NA.

Self-Insured Medical and Dental benefit plan. The Debtor maintained self-insured employee medical and dental benefit plans (the "**Health Plans**"). Under the provisions of the Health Plans, two third party administrators, CIGNA and Health Plex, provided claims processing and administrative functions, for the Medical and Dental coverage, respectively. Upon the closing of the Debtor's operations in June 2016, this Health Plan was terminated. The U.S. Department of Labor is in the process of evaluating the outstanding unpaid claims under these Health Plans. As of the Petition Date, the Debtor is unable to quantify the total amount of claims to be potentially asserted in relation to the termination of the Health Plans due to, among other reasons, the fact that many claims may be unqualified for coverage or disallowed under the Health Plan. In addition, the Debtor's third party administrators of the Health Plans are creditors and will not agree to process the associated claims until it is paid in full. Finally, the Debtor is presently unable to determine which parties actually hold the claims for monetary loss associated with the Health Plans termination, if any. Until further analysis can be performed, the Debtor has disclosed this issue herein, without quantification of the amounts due.

Pending Litigation

The Debtor is subject to lawsuits and claims that arise out of its operations in the normal course of business. The Debtor is a defendant in various litigation matters, some of which involve claims for damages that are substantial in amount. The Debtor believes it has meritorious defenses to the claims made and intends to contest the claims vigorously. Currently, the Debtor is unable to express an opinion as to the likely outcome of this litigation; therefore, as required by authoritative accounting guidance, no liabilities are reflected in the accompanying unaudited financial statements related to these claims. An unfavorable outcome could have a materially adverse effect on the Debtor's financial position and results of operations.

MOR-1

CASE NO. 16-75545 (REG)

REPORTING PERIOD: 11/29/16 TO 12/31/16

In re: Dowling College
Schedule of Cash Receipts and Disbursements

	Signature - Operating - 5448	Signature - TL A- 5456	Signature-TL B- 5464	Signature - TL C- 5472	Signature - TL D- 5480	Astoria-9057 (1)	Astoria-8781 (1)	Astoria-2706 (1)	Astoria-5595 (1)	Astoria-0780 (1)
CASH BEGINNING OF PERIOD	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,319	\$ 2,750	\$ 271	\$ 603	\$ 356
RECEIPTS										
Cash Receipts	\$ 30,213									
Net Transfers From/(To) Accounts	521,026	(163,397)	(26,237)	(115,305)	6,702	(34,194)	(2,750)	(271)	(603)	(348)
DIP Funding		470,336	58,369	123,588	258,853					
Other										
Total Receipts	\$ 551,239	\$ 306,939	\$ 32,132	\$ 8,283	\$ 265,555	\$ (34,194)	\$ (2,750)	\$ (271)	\$ (603)	\$ (348)
DISBURSEMENTS										
Payroll & Benefits	60,754									
Telephone and cable	5,744									
Outside Services	3,824									
Landscaping & Snow Removal	18,863									
Utilities	4,078									
Security	103,234									
Repairs & Maintenance	8,692									
Insurance	68,382									
Chemical Removal	41,121									
Waste Removal	1,075									
Property Taxes	87,763									
Permits & licenses	250									
Payroll Processing	1,281									
Union Benefits	1,293									
Shipping/Freight/Postage										
Finance Fees					107,000					
Debt Service										
Retained Professionals										
Interim Management-CRO										
Bank Charges						125				8
Other	304									
US Trustee Fees										
Other Bankruptcy Related Charges	7,367									
Total Disbursements	\$ 414,026	\$ -	\$ -	\$ -	\$ 107,000	\$ 125	\$ -	\$ -	\$ -	\$ 8
Net Cash Flow	\$ 137,213	\$ 306,939	\$ 32,132	\$ 8,283	\$ 158,555	\$ (34,319)	\$ (2,750)	\$ (271)	\$ (603)	\$ (356)
Cash - End Of Period⁽⁴⁾	\$ 137,213	\$ 306,939	\$ 32,132	\$ 8,283	\$ 158,555	\$ -	\$ (0)	\$ -	\$ -	\$ -

(1) Pursuant to Cash Management Order, funds were transferred to DIP Bank Accounts maintained at Signature Bank.

(2) Funds were levied by TD Bank prepetition pursuant to judgement order. Debtor does not have access to these funds.

(3) Debtor is currently nvestigating if these funds are restricted.

(4) Bank accounts maintained for tenant security deposits.

MOR-1

CASE NO. 16-75545 (REG)

REPORTING PERIOD: 11/29/16 TO 12/31/16

In re: Dowling College
Schedule of Cash Receipts and Disbursements

	BANK ACCOUNTS									
	Californaia Republic - 5662 (1)	Capital One-6182 (4)	Rabobank - 2066 (1)	Rabobank-2067 (1)	Rabobank-2068 (1)	TD Bank- Operating Acct- 7019	TD Bank (levied funds) (2)	TD Bank - 4257	TD Bank-3090	TD Bank-3082
CASH BEGINNING OF PERIOD	\$ 5,100	\$ 62,308	\$ 116,109	\$ 32,702	\$ 30,712	\$ (270)	\$ 506,300	\$ 1	\$ 2	\$ 2
RECEIPTS										
Cash Receipts										
Net Transfers From/(To) Accounts	(5,100)		(116,109)	(32,702)	(30,712)					
DIP Funding										
Other						570				
Total Receipts	\$ (5,100)	\$ -	\$ (116,109)	\$ (32,702)	\$ (30,712)	\$ 570	\$ -	\$ -	\$ -	\$ -
DISBURSEMENTS										
Payroll & Benefits										
Telephone and cable										
Outside Services										
Landscaping & Snow Removal										
Utilities										
Security										
Repairs & Maintenance										
Insurance										
Chemical Removal										
Waste Removal										
Property Taxes										
Permits & licenses										
Payroll Processing										
Union Benefits										
Shipping/Freight/Postage										
Finance Fees										
Debt Service										
Retained Professionals										
Interim Management-CRO										
Bank Charges										
Other										
US Trustee Fees										
Other Bankrutpcy Related Charges										
Total Disbursements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Cash Flow	\$ (5,100)	\$ -	\$ (116,109)	\$ (32,702)	\$ (30,712)	\$ 570	\$ -	\$ -	\$ -	\$ -
Cash - End Of Period⁽⁴⁾	\$ -	\$ 62,308	\$ -	\$ -	\$ -	\$ 300	\$ 506,300	\$ 1	\$ 2	\$ 2

MOR-1

CASE NO. 16-75545 (REG)

REPORTING PERIOD: 11/29/16 TO 12/31/16

In re: Dowling College
Schedule of Cash Receipts and Disbursements

			CURRENT PERIOD	CUMULATIVE FILING TO DATE
	TD Bank-Activity Acct-3699	US Bank -1467 (3)	ACTUAL	ACTUAL
CASH BEGINNING OF PERIOD	\$ 0	\$ 254,007	\$ 1,045,272	\$ 1,045,272
RECEIPTS				
Cash Receipts			30,213	30,213
Net Transfers From/(To) Accounts			0	0
DIP Funding			911,146	911,146
Other			570	570
Total Receipts	\$ -	\$ -	\$ 941,929	\$ 941,929
DISBURSEMENTS				
Payroll & Benefits			60,754	60,754
Telephone and cable			5,744	5,744
Outside Services			3,824	3,824
Landscaping & Snow Removal			18,863	18,863
Utilities			4,078	4,078
Security			103,234	103,234
Repairs & Maintenance			8,692	8,692
Insurance			68,382	68,382
Chemical Removal			41,121	41,121
Waste Removal			1,075	1,075
Property Taxes			87,763	87,763
Permits & licenses			250	250
Payroll Processing			1,281	1,281
Union Benefits			1,293	1,293
Shipping/Freight/Postage			-	-
Finance Fees			107,000	107,000
Debt Service			-	-
Retained Professionals			-	-
Interim Management-CRO			-	-
Bank Charges			133	133
Other			304	304
US Trustee Fees			-	-
Other Bankrutpcy Related Charges			7,367	7,367
Total Disbursements	\$ -	\$ -	\$ 521,159	\$ 521,159
Net Cash Flow	\$ -	\$ -	\$ 420,771	\$ 420,771
Cash - End Of Period⁽⁴⁾	\$ 0	\$ 254,007	\$ 1,466,042	\$ 1,466,042

In re: Dowling College
Bank Reconciliations

C									
	Signature - Operating - 5448	Signature - TL A- 5456	Signature-TL B- 5464	Signature - TL C- 5472	Signature - TL D- 5480	Astoria-9057 (1)	Astoria-8781 (1)	Astoria-2706 (1)	Astoria-5595 (1)
Balance Per Bank	\$ 271,831	\$ 306,939	\$ 32,132	\$ 8,283	\$ 158,555	\$ -	\$ -	\$ -	\$ -
Deposits in Transit	-	-	-	-	-	-	-		
Outstanding Checks and Charges	(134,618)								
Other (List)	-	-	-	-	-	-	-		
Balance per Books	137,213	306,939	32,132	8,283	158,555	-	-	-	-

See Notes on MOR-1

**In re: Dowling College
Bank Reconciliations**

ASH AND MARKETABLE SECURITIES						
	Astoria-0780 (1)	Californaia Republic - 5662 (1)	Capital One-6182 (4)	Rabobank - 2066 (1)	Rabobank-2067 (1)	Rabobank-2068 (1)
Balance Per Bank	\$ -	\$ -	\$ 62,308	\$ -	\$ -	\$ -
Deposits in Transit						
Outstanding Checks and Charges						
Other (List)						
Balance per Books	-	-	62,308	-	-	-

See Notes on MOR-1

MOR-1 a

CASE NO. 16-75545 (REG)

DECEMBER 31, 2016

In re: Dowling College
Bank Reconciliations

	TD Bank- Operating Acct- 7019	TD Bank (levied funds) (2)	TD Bank - 4257	TD Bank-3090	TD Bank-3082	TD Bank-Activity Acct-3699	US Bank -1467 (3)	Total
Balance Per Bank	\$ 300	\$ 506,300	\$ 1	\$ 2	\$ 2	\$ 0	\$ 254,007	\$ 1,600,660
Deposits in Transit								\$ -
Outstanding Checks and Charges								\$ (134,618)
Other (List)								\$ -
Balance per Books	300	506,300	1	2	2	0	254,007	1,466,042

See Notes on MOR-1

In re: Dowling College

Case No. 16-75545 (REG)
Reporting Period: 11/29/16 to 12/31/16**SCHEDULE OF PROFESSIONAL FEES AND EXPENSES PAID**

This schedule is to include all retained professional payments from case inception to current month.

Payee	Period Covered	Amount Covered	Payor	Amount Paid		Cumulative Filing to Date	
				Fees	Expenses	Fees	Expenses
						\$ -	\$ -
None Paid During Period						-	-
						-	-
						-	-
						-	-
						-	-
						-	-
						-	-
						-	-
						-	-
						-	-
						-	-
						-	-
						-	-
						-	-
						-	-
						-	-
						-	-
Total (Excluding Duplicates)				\$ -	\$ -	\$ -	\$ -

MOR 2

In re: Dowling College

Case No. 16-75545 (REG)
Reporting Period: 11/29/16 to 12/31/16

STATEMENT OF OPERATIONS
(Income Statement)
UNAUDITED

	11/29/16 to 12/31/16	CUMULATIVE FILING TO DATE
<u>Income</u>		
Rental Income	\$ 33,483	\$ 33,483
Total Income	<u>33,483</u>	<u>33,483</u>
<u>Expenses:</u>		
Gross Payroll	84,014	84,014
Bank Charges	133	133
Brookhaven Dorm Maintenance	6,122	6,122
Employee Benefits	51	51
Environmental - Phase I	2,500	2,500
Fire & Safety Maintenance	3,309	3,309
Licenses & Permits	250	250
Payroll Tax Expense	6,315	6,315
Real Estate Taxes	121,066	121,066
Repair & Maintenance	2,524	2,524
Security	103,234	103,234
Sewage Treatment	246	246
Telephone & Cable	5,827	5,827
Union Dues	1,293	1,293
OFFICE SUPPLIES	240	240
COMPUTER SUPPLIES	1,074	1,074
ELECTRIC/GAS	78,500.25	78,500
FUEL OIL	3,854	3,854
INSURANCE EXPENSE	68,382	68,382
WASTE REMOVAL	2,150	2,150
SNOW REMOVAL	11,900	11,900
GROUND MAINTENANCE	6,963	6,963
CHEMICAL WASTE DISPOSAL	38,621	38,621
PAYROLL PROCESSING	1,484	1,484
MISC. EXPENSE	146	146
Temporary Help	676	676
Total Expense	<u>550,875</u>	<u>550,875</u>
Net Ordinary Income	(517,392)	(517,392)
<u>Other Income:</u>		
Gain on Sale of Resid. Houses	1,124,975	1,124,975
Interest Earned	30	30
Change in Unrealized Gain/Loss	70,305	70,305
Other Revenue	638	638
Total Other Income	<u>1,195,949</u>	<u>1,195,949</u>
<u>Other Expense</u>		
Professional Fees - Chapter 11	235,212	235,212
Bankruptcy Advertising Costs	7,367	7,367
Financing Fees	107,000	107,000
Interim Management-CRO	132,248	132,248
Total Other Expense	<u>481,827</u>	<u>481,827</u>
Net Other Income	<u>714,122</u>	<u>714,122</u>
Net Income	<u>\$ 196,730</u>	<u>\$ 196,730</u>

See Notes to Financial Statements.

MOR 3

In re: Dowling College

Case No. 16-75545 (REG)
Reporting Period: December 31, 2016

**BALANCE SHEET
UNAUDITED**

	Current Month	As of Filing Date
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash and cash equivalents	\$ 1,466,042	\$ 1,045,272
Rent Receivable	78,388	64,105
Accounts Receivable-Other	165,907	165,907
Pledges Receivable	1,798,341	1,798,341
Prepaid Expense	690,564	753,091
Prepaid Retainers	258,659	258,659
Student Receivables-net of allowance	833,630	848,807
Total Current Assets	5,291,531	4,934,183
Plant assets, net	48,715,407	49,102,183
<u>Other Assets</u>		
Closing Costs - Bonds	2,279,438	2,279,438
Perkins Loans Receivable	1,962,610	1,962,610
Investments	5,859,700	5,789,365
Deposits	36,500	36,500
Total Other Assets	10,138,248	10,067,913
Total Assets	\$ 64,145,186	\$ 64,104,279
<u>LIABILITIES & EQUITY</u>		
<u>Liabilities - Not Subj To Comp</u>		
Accounts Payable	\$ 150,019	\$ -
Accrued Expenses-other	64,251	-
Accrued Professional Fees	235,212	-
<u>DIP Financing- Post petition loans:</u>		
DIP-Term Loan A	470,336	-
DiP-Term Loan B	58,369	-
DIP-Term Loan C	123,588	-
DIP - Term Loan D-Admin	258,853	-
Total DIP Financing- Post petition loans	911,146	-
Total Liabilities-Not Subject to Comp	1,360,628	-
<u>Liabilities-Subject to Compromise</u>		
Accounts Payable	3,909,307	3,909,307
Accrued Expenses	5,083,140	5,083,140
Other payables	91,000	91,000
Deferred Rental Income	80,491	80,491
Tenant Security Deposit Payable	62,308	62,308
Perkins A/P	1,774,874	1,774,874
Total Bonds Payable-Subject to Compromise	52,337,085	53,853,537
Total Liabilities subject to compromise	63,338,206	64,854,657
Total Liabilities	64,698,834	64,854,657
Fund Balance	(553,649)	(750,379)
Total Liabilities and Equity	\$ 64,145,186	\$ 64,104,279

See Notes to Financial Statements.

In re: Dowling College

Case No. 16-75545 (REG)

Reporting Period: 11/29/16 to 12/31/16

STATUS OF POSTPETITION TAXES

The beginning tax liability should be the ending liability from the prior month or, if this is the first report, the amount should be zero. Attach photocopies of IRS Form 6123 or payment receipt to verify payment or deposit of federal payroll taxes.

Attach photocopies of any tax returns filed during the reporting period.

Federal	Beginning Tax Liability	Amount Withheld or Accrued	Amount Paid	Date Paid	Check No.	Ending Tax Liability
Withholding	No payroll tax liability. Gross payroll amount is remitted to the Payroll Service Company for the payment to the					
FICA-Employee	appropriate taxing authority.					
FICA-Employer						
Unemployment						
Income						\$ -
Other						-
Total Federal Taxes	\$ -	\$ -	\$ -			\$ -
State and Local						
Withholding	See Note Above					
Sales & Use						\$ -
State Income Tax						-
Excise						-
Unemployment						-
Real & Personal Property						-
Other						-
Total State and Local	-	-	-			-
Total Taxes	\$ -	\$ -	\$ -			\$ -

SUMMARY OF UNPAID POSTPETITION DEBTS

Attach aged listing of accounts payable.

Number of Days Past Due	Current	0-30	31-60	61-90	Over 90	Total
Accounts Payable - Trade	\$ 110,009	\$ 40,010				\$ 150,019
Wages Payable						-
Taxes Payable						-
Rent/Leases - Building						-
Rent/Leases - Equipment						-
Secured Debt/Adequate Protection Payments						-
Professional Fees	235,212					235,212
Amounts due to Insiders*						-
Other - Accruals	64,251					64,251
Total Postpetition Debts	\$ 409,472	\$ 40,010	\$ -	\$ -	\$ -	\$ 449,482

* "Insider" is defined in 11 U.S.C. Section 101(31).

In re: Dowling College

Case No. 16-75545 (REG)

Reporting Period: 11/29/16 to 12/31/16

ACCOUNTS RECEIVABLE RECONCILIATION AND AGING

Accounts Receivable Reconciliation		
Net Accounts Receivable at the beginning of the reporting period		\$ 848,807
+ Amounts billed during the period		
- Amounts collected during the period		\$ 15,178
- Allowances, Reserves & Write-Offs		
Net Accounts Receivable at the end of the reporting period		\$ 833,630
Accounts Receivable Aging (Gross)		
0 - 30 days old		
31 -60 days old		
61 - 90 days old		
91+ days old		\$ 1,401,759
Adjustments & Write-Offs		
Total Accounts Receivable (Gross)		
- Unapplied Cash		
- Bad Debt Reserve		\$ (568,129)
- Sales Return Reserve		
- Sequester Reserve		
- Contractual Allowances		
+ Other AR Activity		
Accounts Receivable (Net)		\$ 833,630

Note: The Accounts Receivable includes many small balances due from former students dating back to when the College was operating. The Debtor continues to evaluate these receivables and determine the net realizability of such accounts.

Must be completed each month	Yes	No
1. Have any assets been sold or transferred outside the normal course of business this reporting period? If yes, provide an explanation below. <i>(1)</i>	X	
2. Have any funds been disbursed from any account other than a debtor in possession account this reporting period? If yes, provide an explanation below.		X
3. Have all post petition tax returns been timely filed? If no, provide an explanation below.	X	
4. Are workers compensation, general liability and other necessary insurance coverages in effect? If no, provide an explanation below.	X	
5. Has any bank account been opened during the reporting period? If yes, provide documentation identifying the opened account(s).		X

(1) Pursuant to Court Order, during the reporting period, the Debtor sold 5 residential properties totalling approximately \$1.5 million in proceeds. The proceeds were paid directly to the secured lender which held liens on those properties.